Green Growth, Institutions and Behavior

by

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Outline

1. The idea of green growth
2. Institutions and behavior
3. Behavioral challenges of 'greening agriculture'
4. Conclusion

1. The idea of green growth

After the financial crisis struck, we observed a request for a '**New Green Deal**' – e.g., UN Environmental Program (UNEP)

It has very much become a program of '**Green growth**' – emphasizing **technological development and 'green' investments**

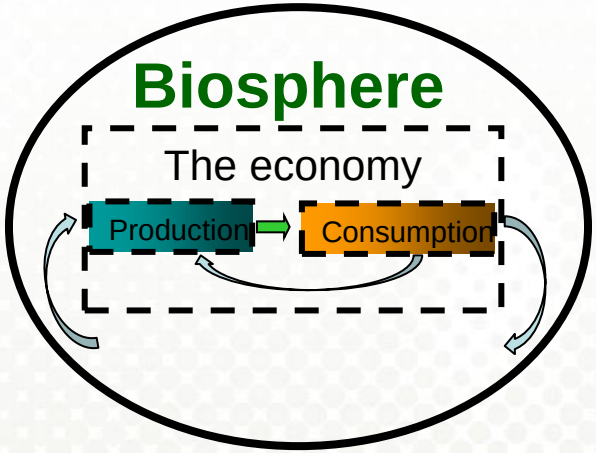
Belief in **decoupling** made by the use of **economic instruments → markets** and **private sector** more actively ensuring these changes

Green Growth

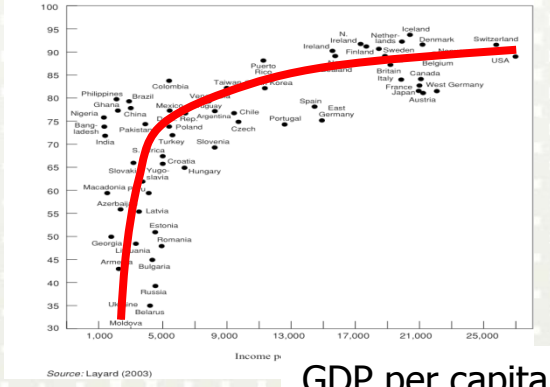
1. The idea of green growth (cont.)

An alternative: Ecological Economics

- **Ecological economics** emphasizes the material limitations the **biosphere** puts on the scale of economic activity
- Limits concern the amount of **resources** including energy and the **functionality** of ecosystems (the earth system)
- (Both types of limits are 'malleable' by technological change – hence it is easy to think that they can always be lessened)
- EE emphasizes that also **changes in the structure of the economy** – its institutions – is necessary
- It notes that beyond a certain level, **growth does not make us happier**…



Happiness index



GDP per capita

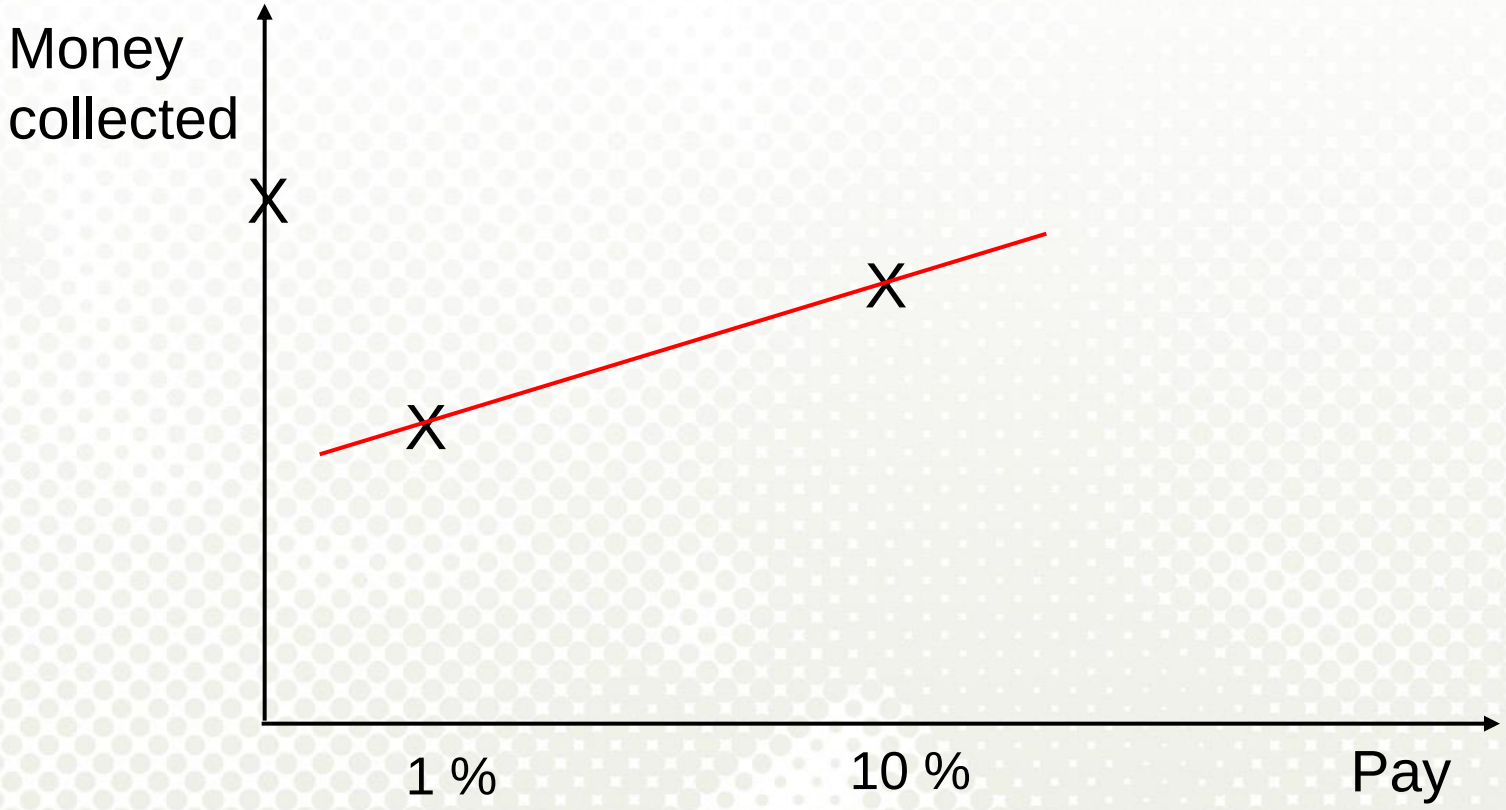
2. Institutions and behavior

- **Institutions are the conventions, norms and legal rules** of a society. They coordinate action, offer meaning to action, protect values and protect and produce interests
- Behavior can be understood on the basis of different models
  - **Standard economic** model: **Maximizing individual utility**
  - **Institutionalist model**: Motivations differ across institutional structures – e.g., **individual vs. cooperative rationality**
- What is needed: Economic institutions that
  - Do **not depend** on continuous economic **growth** (!)
  - That create **actors that accept to be regulated** on environmental consequences of their activity
  - That motivate **actors to themselves search** for ways to reduce environmental impacts of their activities

2. Institutions and behavior (cont.)

An example of different rationalities

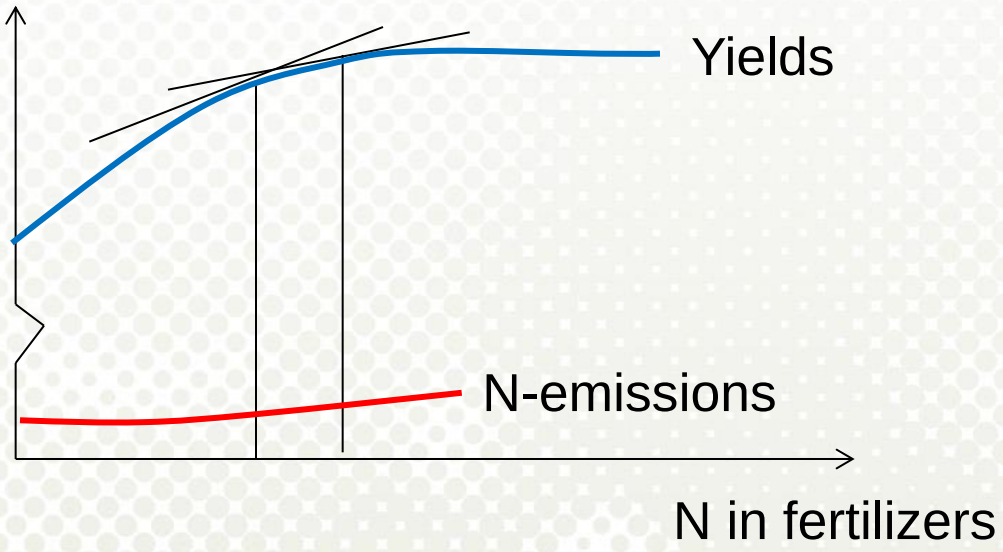
- Moving from **non-paid** to **paid** action. Collecting money for a charity:



Source: Gneezy and Rustichini (2000)

3. Behavioral challenges of greening agriculture

- In this final section of my presentation I will offer some remarks based on my own research on reducing pollution from agriculture which relates to institutions and behavior
- **Taxes on nitrogen** – a principal sketch



- Need very high taxes to ensure substantial reductions in emissions

3. Behavioral challenges of greening agriculture

- **Observation 1:** Reducing N use through economic measures demands high N- prices → who pays? Perceived fairness of a regulation is crucial:
  - Farmers vs. consumers vs. state
  - What about farmers that reduce fertilizer use voluntarily?
- **Observation 2:** Farmers' perceptions of what is sound agronomy is important for the acceptance of a regulation: e.g., the different reaction to taxes on fertilizers and pesticides
- **Observation 3:** It is different whether the price change comes from a political decision or from a change in the market – e.g., increased energy prices
- **Observation 4:** The traditional norm of 'maintaining the productive capacity of the farm' has shifted to one of 'grow or die' → pushing biological and ethical 'limits'

4. Conclusion

- We need to question if 'the green growth paradigm' is a sound paradigm. Why grow (in the North)?
- Fostering a 'green economy' is as much about **'changing the mind'** as about changing the technology
- Changing the mind is foremost about **changing the institutions**. A collective process of changing the goals for and the logic of production and consumption
- **Agriculture:** Have already a platform through agricultural policy. However, a huge challenge to create a 'green agriculture'. Not 'just a price fix'. It demands a fundamental change in the perspective of what agriculture is.
- The **less the economy generally grows**, the easier this will be